

CIA/OSR /MEMO EF 75 1010 KOREAN WAR COSTS
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CIA/OSR

10 October 1975

MEMO EF 751010

MEMORANDUM FOR: NIO/China

SUBJECT : Korean War Costs

Attached is the information you requested on the cost of the Korean War to the Chinese. It is rather limited but a more complete response would require a major research effort.

STATINTL

Acting Chief,
Eastern Forces Division, OSR

Attachment:
As Stated

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The Korean War imposed a serious drain upon the Chinese economy even though much military hardware was provided by the Soviet Union. Officially stated military expenditure figures--which probably do not include all defense spending--almost doubled during the period as shown below. In addition, the war diverted scarce industrial and transport resources critically needed by an economy recovering from a destructive civil war.

PRC Military Budget 1950-1952

| <u>Year</u> | <u>Billion Yuan</u> | <u>Percentage of State Budget</u> |
|-------------|---------------------|-----------------------------------|
| 1950 | 2.8 | N/A |
| 1951 | 5.1 | 43 |
| 1952 | 4.3 | 26 |

The effects of the war on the Chinese economy, however, were not all negative. It provided a psychological stimulus to the effort to unite the country and boost production, while the severe casualties sustained by the army in the fighting were small in relation to the total population. Moreover, as supplies of weapons captured in the campaigns against the Japanese and the Nationalists were depleted in Korea, the USSR replenished the Chinese forces with relatively modern equipment. Finally, because of the limited nature of the conflict, Chinese industry suffered no damage.